

DEAL OF THE WEEK

Property Type: Retail Shopping Center in Lake Worth, Fla.
 Loan: \$1.4M refi
 Lender: **Stancorp.**
 Leverage: 60%
 Rate: 5.125%

Stancorp. provides refinancing for a shopping center with a unique tenant profile, including a gun/ammo shop and tattoo parlor. On average, the tenants have three years left on the leases. Most life companies will not consider a retail center with these types of tenants, especially with short-term leases. The existing loan was maturing and the private lender did not want to offer new financing to the borrower. Stancorp. was confident with the borrower's healthy net worth and low-leverage need. It also liked that tenants had been there long term and had favorable histories.

The interest rate is fixed for the entire 20 years of the loan. Stancorp. required full recourse on this fully amortizing deal. DSC was 1.35x. Loan proceeds will go toward paying off the existing loan and debt the owner had on another property. The leverage was based on Stancorp.'s underwriting, including a minimum cap rate of 8.5% and no more than 10% vacancy.

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JV EQUITY MARKET OPENS CONSIDERABLY...

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Keep an eye out for more REITs to get involved in JV equity next year. Using equity allows REITs to buy core properties off balance sheets and share the risk. Most JV investors will be looking for relationship sponsors to sign numerous transactions. It will be harder to get equity investors for a one-off deal.

JV investors will consider the sponsorships, real estate and takeout strategies. Sponsors will need ample liquidity and management experience. A favorable track record and the ability to create value for the investor will be highly sought after. Don't expect JV money for first time owners. Deals in markets showing improvement will be the most active. JV investors will be comfortable in primary markets such as Boston, New York, Chicago, Washington, D.C., San Francisco, Los Angeles, San Diego, Seattle and Miami. More secondary markets will open in the New Year.

BANKS TO BE BULLISH ON SMALL CONSTRUCTION

A growing demand for construction loans under \$10M will trigger banks to get in at the beginning of the cycle. Expect lenders to be drawn to smaller deals as a way to build relationships with borrowers. Increased competition in the space will lead to more favorable underwriting. Leverage will be between 60% and 70%. Higher leverage loans will need strong preleasing or multifamily components in favorable markets. Rates will be 4.5% to 6.5%. Count on many loans to be full recourse, although, a few may squeak by with partial recourse or burn-off provisions. DSC will be 1.20x to 1.40x.

Count on most of the small construction loan action to come from regional and community banks such as **Preferred Bank, Torrey Pines Bank, Frost National Bank, Southwest Bank, M&T Bank, Manufacturers Bank, Texas Capital Bank and OmniAmerican Bank.** **The Washington Trust Company** will originate loans under \$2M. **People's United Bank** will consider deals under \$15M, while **Sovereign Bank** will go below \$20M. Lenders will look at the viability of the project two years out and underwrite interest to meet that level. Most banks will incorporate floors, which will keep rates in the mid- to high 4% range. Next year, select banks may drop floors in order to compete.

Major banks such as **Wells Fargo, Chase, Bank of the West, Union Bank and US Bank** will originate small construction deals for relationship borrowers. Keep an eye out for additional national banks to enter the sector in the next few quarters. Most large banks will max out leverage at 65%. Don't expect 80% leverage for construction loans to return in the foreseeable future.

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BANKS & LENDERS
(Supplemental to the 2012 Directory)

AEW Capital Management: 2 Seaport Lane, Boston, MA 02210. Marc Davidson, Managing Director, (617) 261-9287. mdavidson@aew.com

Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Tim Szalay, SVP, (212) 600-2836. tszalay@archetypemortgage.com

Barclays: 745 Seventh Ave., New York, NY 10019. Brandon Ashcraft, Director of Corporate Communications, (212) 526-7000. brandon.ashcraft@barclays.com

Beech Street Capital: 33 Inverness Center, Suite 150, Birmingham, AL 35242. Damon Reed, VP-Originations, (205) 991-6700, Ext. 8191. dreed@beechstcap.com

Blackstone Group, The: 345 Park Ave., New York, NY 10154. Michael Nash, Chief Investment Officer, (212) 583-5000. nash@blackstone.com

C-III Commercial Mortgage LLC: 717 Fifth Ave., 15th Floor, New York, NY 10022. Paul Hughson, President, (212) 705-5046. phughson@c3cp.com

Guggenheim: 3455 Peachtree Road N.E., Suite 500, Atlanta, GA 30326. Keiran Quinn, Managing Director, (404) 995-6766. kieran.quinn@guggenheimpartners.com

Manufacturers Bank: 515 S. Figueroa St., Fourth Floor, Los Angeles, CA 90071. Diana Wilson, SVP, (213) 489-8712. dwilson@manubank.com

Natixis Global Asset Management: 399 Boylston St., Boston, MA 02116. Jeffrey Plunkett, EVP/General Counsel, (617) 449-2100. jeffrey.plunkett@ngam.natixis.com

OmniAmerican Bank: 1320 S. University Drive, Suite 900, Fort Worth, TX 76107. Tim Carter, President/CEO, (817) 367-4640.

OneAmerica: 1 American Square, P.O. Box 368, Indianapolis, IN 46206. Steven Holland, VP, (317) 285-1417. steven.holland@oneamerica.com

Opus Bank: 19900 MacArthur Blvd., 12th Floor, Irvine, CA 92612. Dan Borland, President-Income Property Banking, (949) 251-8177. dborland@opusbank.com

Prudential: 4 Embarcadero Center, Suite 2700, San Francisco, CA 94111. Fred van Overbeek, Principal, (415) 398-7310.

Sabal Financial Group: 4675 MacArthur Court, Suite 1550, Newport Beach, CA 92660. James Martin, Director-CRE Bridge Lending Group, (949) 255-2689.

Security National Capital: 5300 South 360 West, Suite 350, Salt Lake City, UT 84123. Henry Kesler, VP, (801) 287-8316. henry.kesler@securitynational.com

Southwest Bank: 1603 LBJ Freeway, Suite 100, Dallas, TX 75234. Marshall Boyd, EVP-Mortgage Services, (972) 243-7900.

Symetra: 777 108th Ave. N.E., Suite 1200, Bellevue, WA 98004. Colin Elder, SVP/Manager, (425) 256-8749. colin.elder@symetra.com

Texas Capital Bank: 2000 McKinney Ave., Suite 700, Dallas, TX 75201. George Jones, CEO, (214) 932-6600.

Torrey Pines Bank: 9295 Farnham St., Suite 200, San Diego, CA 92123. Stacy Lombardo, SVP/Director of Operations, (858) 259-5353. slombardo@torreypinesbank.com

Walker & Dunlop: 7501 Wisconsin Ave., Suite 1200, Bethesda, MD 20814. Andrew Tapley, SVP-Multifamily Finance, (301) 215-5578. atapley@walkerdunlop.com

Washington Trust Company, The: 23 Broad St., Westerly, RI 02891. Julia Slom, SVP/Team Leader, (401) 348-1430. jaslom@washttrust.com

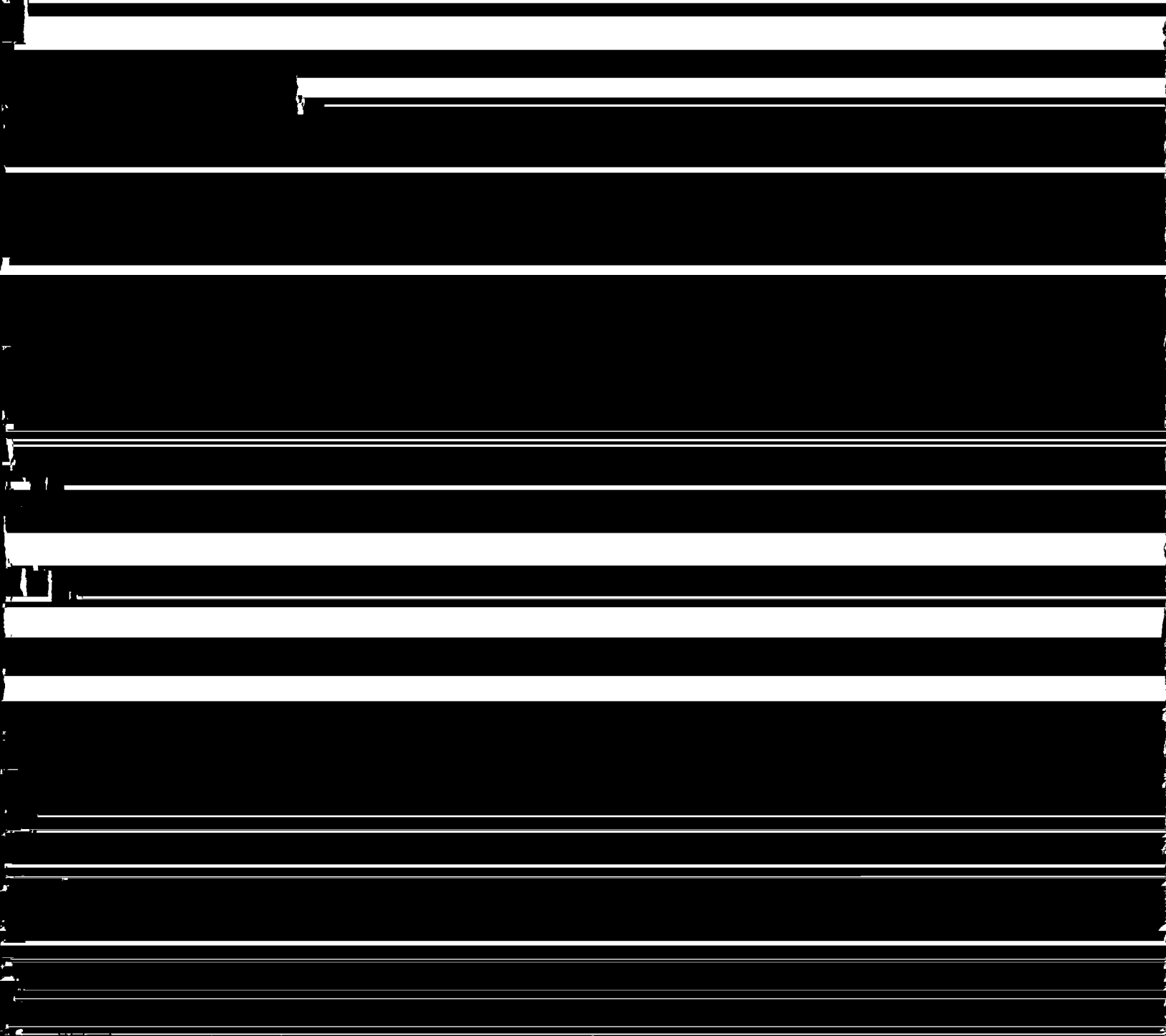
BANKS TO BE BULLISH ON SMALL CONSTRUCTION...

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Agency and private lenders will also get involved in small construction loans. **Red Capital Group** will go below \$10M through its FHA 232 program, while **Berkeley Point Capital** will go as low as \$3M for integrated construction and perm loans through FHA 221(d)(4). Private lender **Sabal Financial Group** will originate rehab loans for all income-producing properties starting at \$3M. The lender will top out at 90% LTC, with rates in the high 6% range.

Count on most small balance construction loans to go toward multifamily, industrial, pre-leased retail strip centers, owner user and medical office. Retail loans will be sponsor driven. Ground-up office, hotels and spec projects will be challenging to get financed. Infill locations and primary urban cities such as Los Angeles or New York City will see the most activity. Projects in secondary markets will need 50% cash equity, preleasing and borrowers with favorable credit.

Borrowers will need to show successful past projects and expertise in the market. New entrants will need



DEALMAKER DATABANK

BDO

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BDO is an international accounting and consulting firm with a strong presence in the real estate and hospitality industries.

Bond Street Capital Companies

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Bond Street is a direct lender and correspondent originating commercial real estate loans. The company is able to provide multiple solutions for nearly every financing requirement through institutional and private affiliations.

Capital Advisors

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Capital Advisors works on a \$5.5M refi with Jeffries LoanCore for an A-1 Personal Storage portfolio in North Carolina. LTV was 70%. Interest came in at 5%. Debt yield was 10%, with a 1.45x DSC. This was a 10-year loan, with 30-year amortization.

Cohen Financial

2390 E. Camelback Road, Suite 100, Phoenix, AZ 85016
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Cohen Financial secures \$7.5M in acquisition financing for an office building in Surprise, Ariz., with Cantor Fitzgerald. Interest came in at sub 5%. LTV was 72%. This was a 10-year loan, with 30-year amortization. Cantor liked the favorable occupancy.

Cohen Financial

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Cohen Financial completes a \$4.35M JV equity deal for Belmont Apartments in Montgomery, Ala., with a small Midwest fund. The deal also had \$14.8M in senior debt with Greystone. LTC was in the high 90% range.

HFF

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HFF arranges an \$11.5M refi with Opus Bank for Pacific Skies Estate, a manufactured home community in Pacifica, Calif. LTV was 65%. DSC was 1.30x. This was a five-year, fixed-rate loan. Interest came in at 4.75%.

Johnson Capital

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Johnson Capital teams up with a private equity fund to provide a \$6.7M mezz loan for the development of Tobin Lofts, a student housing property in San Antonio. The mezz piece took leverage to 90% and will go behind a \$20M regional bank loan.

Meridian Capital Group

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Meridian Capital closes a \$6M bridge loan for a Crown Plaza in Phoenix. The deal took only four weeks from application to funding. Grossman also arranges a \$21M CMBS loan for a 28-property multifamily portfolio in Chicago.

Quantum Capital Partners

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Quantum Capital works on a \$7.5M loan with a borrower on three notes for retail properties in Las Vegas. This was a five-year loan with interest fixed at 4.5%. The borrower was able to cash out 85% of the equity.

Tremont Realty Capital

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Tremont Realty Capital closes two refi loans for manufactured home properties. Red Hill Estates in Pennsylvania receives \$2.3M and interest at 4.62%. Taylor's Creek in North Carolina obtains \$5.9M and interest at 5.18%. LTV was 70% on both deals.

LIFE COMPANIES COMPETE FOR HOTELS

Look for life companies to slowly increase leverage on hospitality to 70%, in order to compete with the recovering conduit market. Going forward, CMBS lenders will offer improved terms and the life companies will become more competitive with underwriting to win deals. Many LCs will top out at 65% leverage. Rates will be in the 4% to 5% range, with select LCs dropping to high 3% for the most favorable deals. Most will be 10-year deals, with 25-year amortizations. Debt yield will start at 11% to 12%. Anticipate an increase of refi and acquisition loans, as many renovated properties will need fresh capital.

New York Life, MetLife, Northwestern Mutual and John Hancock will consider larger hotel deals on a limited basis. **Cornerstone Real Estate Advisers** will be active with loans in the \$20M to \$100M range. Full-service properties with professional management flags such as Hilton and Marriott will be targeted. Limited-service hotels will be considered as part of portfolio deals. **Pacific Life** prefers loans in the \$50M to \$250M range. The lender will target luxury and upper upscale, full-service Starwood, Hyatt, Hilton and Marriott properties in gateway markets. Interest will be between 4.5% and 5.5% for 10-year loans.

Prudential will originate loans between \$20M and \$200M. Upper upscale and luxury brands, including Marriot, Hyatt and Ritz Carlton will be on the docket. Limited-service hotels will be considered, especially for portfolio deals. Leverage will be between 55% and 60%. Five-, seven- and 10-year terms will be available. **ING Investment Management** returns to hotel lending for \$10M to \$50M loans. Interest will